Sask
Telecommuni-
cations

Saskatchewan Telecommunications

1982 ANNUAL REPORT

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1982 HIGHLIGHTS

101-03310

- Long distance messages originating in Saskatchewan increased by almost 4% over the previous year to an all-time high of 87.2 million.
- The number of telephones in service reached a record 678,000 representing a 4% increase over 1981.
- Construction on the world's longest commercial fibre optics network reached the half-way point.
- The Rural Service Improvement Program, begun in 1977, was completed at a cost of $90 million.
- SASK TEL's videotex service trial, PATHFINDER, began in mid-year.
- SASK TEL's local cable TV distribution network of 3,816 kilometres was serving 115,855 subscribers at end of 1982.
- Operating revenues increased by 10.5% to $295.7 million.
- Operating expenses increased by 14.7% to $229.3 million.
- Net income amounted to $7.8 million, of which half, or $3.9 million, was declared as a dividend to the Crown Investments Corporation of Saskatchewan.
- $121.5 million was invested in the improvement and expansion of telecommunications facilities increasing the value of SASK TEL's property, plant, and equipment to over one billion dollars.

LETTER OF TRANSMITTAL

Regina, Saskatchewan.
March 1, 1983

To His Honour,
The Honourable
C. Irwin McIntosh,
Lieutenant Governor of the
Province of Saskatchewan.

Dear Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1982, including the financial statements therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Hon. J. Gary Lane
Minister of Telephones and Chairman
Saskatchewan Telecommunications

REPORT OF THE PRESIDENT

In many respects, 1982 was a particularly challenging year for SASK TEL, as the corporation continued to fulfill its basic mandate of planning, constructing, and operating a world-class communications system delivering all forms of telecommunications to the residents of Saskatchewan.

Continuing high rates of interest and inflation, exerted considerable upward pressure on the corporation's operating and capital investment costs during the year. Although the rate of inflation in Saskatchewan was lower than the national average, the corporation, as a supplier of both provincial and interprovincial telecommunications services, remained somewhat vulnerable to national economic trends.

The national economy notwithstanding, SASK TEL's performance, in most areas of activity, surpassed levels established in the previous year, reflecting the corporation's success in adapting to a rapidly changing and complex operating environment.

Total operating revenues generated by SASK TEL in 1982 climbed to $296 million, an increase of more than $28 million or 10.5 percent over the previous year. While noteworthy in light of prevailing economic circumstances, this result was not sufficient to maintain earnings at levels achieved in recent years. This was mainly attributable to a 14.7 percent increase in operating costs over the previous year. Another contributing factor was the decision to defer a 12 percent general rate increase planned for mid-year pending the establishment of a regulatory mechanism which would provide direct public input into the rate setting process.

Recognizing that the squeeze on the corporation's financial resources would likely extend into 1983 and beyond, SASK TEL undertook an intensified effort to improve productivity and revenues. An outcome of this effort has been a rationalization of manpower requirements and implementation of new budgetary and cost control measures to ensure that the corporation continued to meet the requirements of customers at the lowest possible cost while maintaining traditional high standards of service.

Construction expenditures of $121.5 million were undertaken during the year as SASK TEL continued to invest significant amounts of capital in the improvement, expansion, and maintenance of service. By year end, the corporation's investment in telecommunications property, plant, and equipment exceeded one billion dollars.

1982 was marked by a number of significant developments, inside and outside the corporation, that have altered the course and direction of SASK TEL in the telecommunications industry.

The most important development concerned the establishment, by legislative action, of a Public Utilities Review Commission. Under terms of the Commission's mandate, SASK TEL and other Public Utilities will be required to seek commission approval for future rate schedule amendments. Previously, SASK TEL's rates were set with the approval of the Provincial cabinet.

Given recent financial and economic trends, the management of SASK TEL believe that a general rate increase is necessary and reasonable if the corporation is to continue to fulfill existing responsibilities to the people of Saskatchewan. Accordingly, the corporation has begun preparations with a view to seeking regulatory approval for rate relief at the earliest opportunity.

Recent changes in SASK TEL policies have opened some aspects of the telecommunications business to competition.

SASK TEL's Terminal Attachment Policy was amended giving many residential subscribers a choice with respect to rental or purchase of extension telephones. The new policy, applying to residential private line subscribers, permits the attachment of customer-owned extension telephones to the corporation's network providing such equipment meets Federal Department of Communications standards. The ownership of inside wiring, telephone jacks, and main telephone sets has been retained by the corporation.

Another policy change, broadening choices available to customers announced at the close of the year, will permit connection of customer-owned paging equipment and competitively-provided paging services and systems to SASK TEL's network. This change becomes effective upon approval of rates by the Public Utilities Review Commission, expected in early 1983.

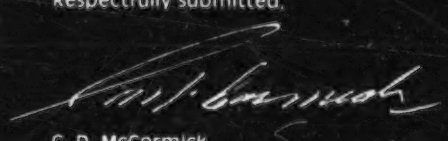
Competition in these areas does not signal diminished returns or opportunities for the corporation. Initial indications are that these policy changes will have minimal effects on the corporation's revenues and manpower resources.

The continued success of SASK TEL depends upon a modern, up-to-date telecommunications network supported by the best in human resources. The corporation's continuing record of achievement is due not only to the practical application of new technologies, but also to the skill and dedication of SASK TEL employees in meeting the telecommunications needs of the people of Saskatchewan.

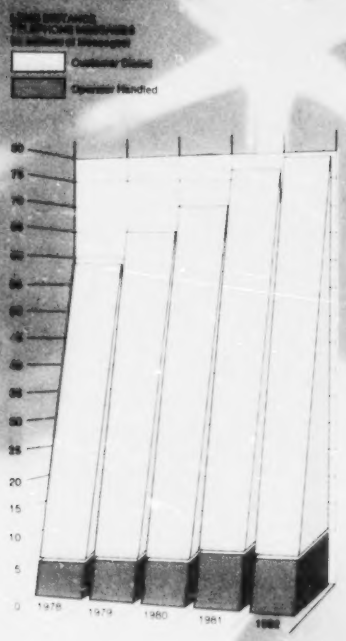
As the corporation enters its 75th year of operation as a provincially-owned telecommunications system, we do so knowing that telecommunications needs of tomorrow are not the needs of yesterday. As a result, we will, as we have done in the past, continue to review the role SASK TEL should play in providing telecommunications service to the people of Saskatchewan.

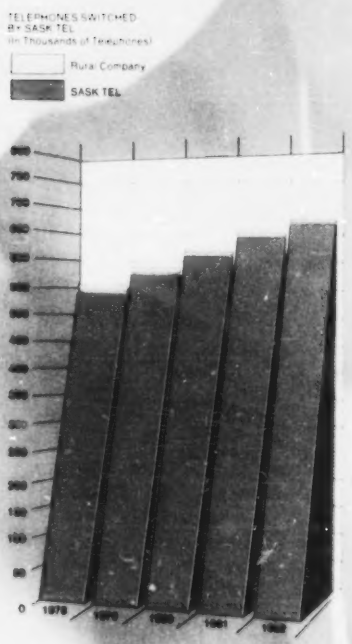
The ultimate objective is to bring SASK TEL through the eighties and beyond as a responsive, innovative, and reliable supplier of telecommunications services.

Respectfully submitted,



G. D. McCormick
Acting President





Telephone services

1982 saw an end to the high telephone service gains enjoyed over the past number of years. Telephones in service grew by 4% reaching 678,000 by year end. This was considerably less than the average annual compound growth rate of 7.1% experienced during the previous decade. The number of local calls completed grew by 7.3% reaching 790 million — an average of 816 calls for every Saskatchewan resident.

Originated long distance messages reached 87.2 million, an increase of almost 4% as compared to an average annual compound growth rate of 14.8% during the previous ten years.

Investing in the future

During 1982 SASK TEL continued to expand and modernize both switching centre equipment and transmission facilities to meet customer service demands and to increase the corporation's operating effectiveness.

The 1982 cable ploughing program associated with the corporation's 3,400 kilometre, province-wide integrated fibre optics Broadband Network (BBN) was accelerated to include the routes deferred from the previous year due to shortage of cable. Construction on the BBN reached the halfway point at year end with the installation of over 1,200 kilometres of fibre optic cable, nearly four times that of the previous year.

When completed in 1984, the digital BBN will link 52 of Saskatchewan's largest communities and provide integrated telecommunications services to over half of the province's residents.

The BBN is one of the first major steps taken by the corporation towards the goal of establishing an "all-digital" telecommunications network in the province by the year 2000. Digital technology, both in signal transmission and switching systems, provides higher quality, more economical telecommunications services. In addition, digital systems are more reliable than older generation equipment.

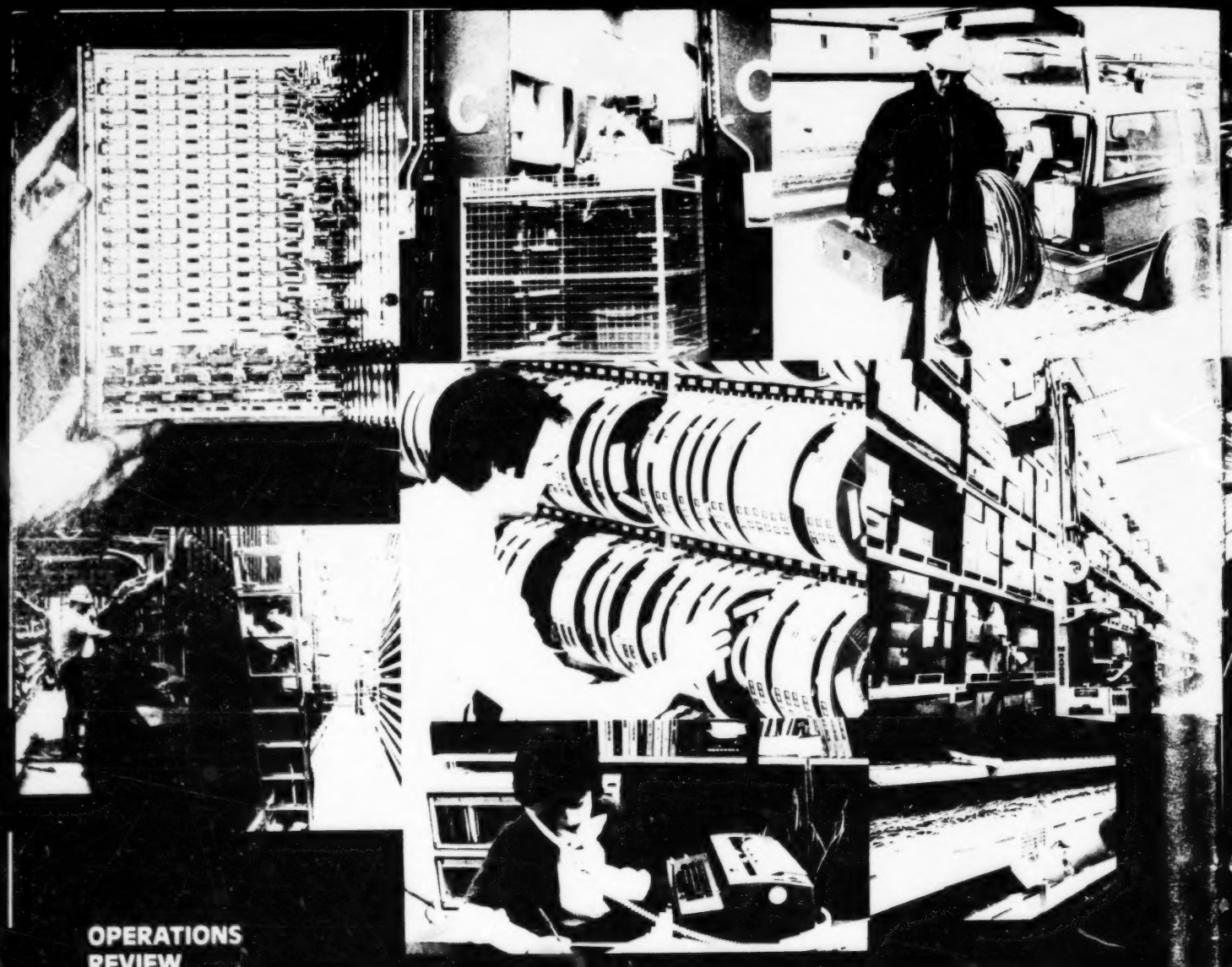
The fibre optic transmission system links between communities is only one of the two major components of the BBN. The other is the coaxial cable system within communities which distributes telecommunications signals to individual customers.

Significant progress continued to be achieved on the installation of coaxial facilities within many communities licensed to receive cable TV. During the year, the corporation completed construction of distribution systems in 25 communities, bringing the number of communities with such distribution systems to 38. SASK TEL plans to cable an additional 30 communities in 1983 to meet service requests by federally-licensed cable TV operators.

As a result of SASK TEL's accelerated activity on this major project, an additional 22 new communities were receiving a wider choice of television programming at year end. Thirteen of the communities were receiving American cable TV signals via the fibre optic network or microwave-radio routes. The remaining nine communities were receiving their additional channels from the Anik satellite via earth station receivers.

At the end of 1982, SASK TEL's local cable TV distribution systems of 3,816 kilometres were providing service to nearly 116 thousand subscribers in 27 communities.

Throughout the year a number of microwave-radio signal transmission systems were placed into service, either to accommodate long distance service demands or to replace obsolete equipment. Major projects completed included a digital microwave-radio system between Swift Current and Regina to carry cable TV signals as well as voice and data services; and a similar



OPERATIONS REVIEW

system between Saskatoon and Prince Albert to carry cable TV signals. Work was also under way at year end on an interprovincial digital microwave-radio route addition which, when completed in 1984, will provide additional circuit capacity for the Trans-Canada long distance network.

Work on three major projects, expected to cost a total of $29 million, was progressing satisfactorily at the end of 1982.

The final phase of the South Saskatchewan Toll Modernization Plan, involving the rehoming of switching centres in Moose Jaw and Yorkton, along with their connecting Community Dial Offices into Regina, was well under way at year end. The installation of digital switching facilities will provide for the continued, orderly growth and expansion of telecommunications services such as Zero-Plus dialing and Direct Dialing Overseas to many more Saskatchewan communities.

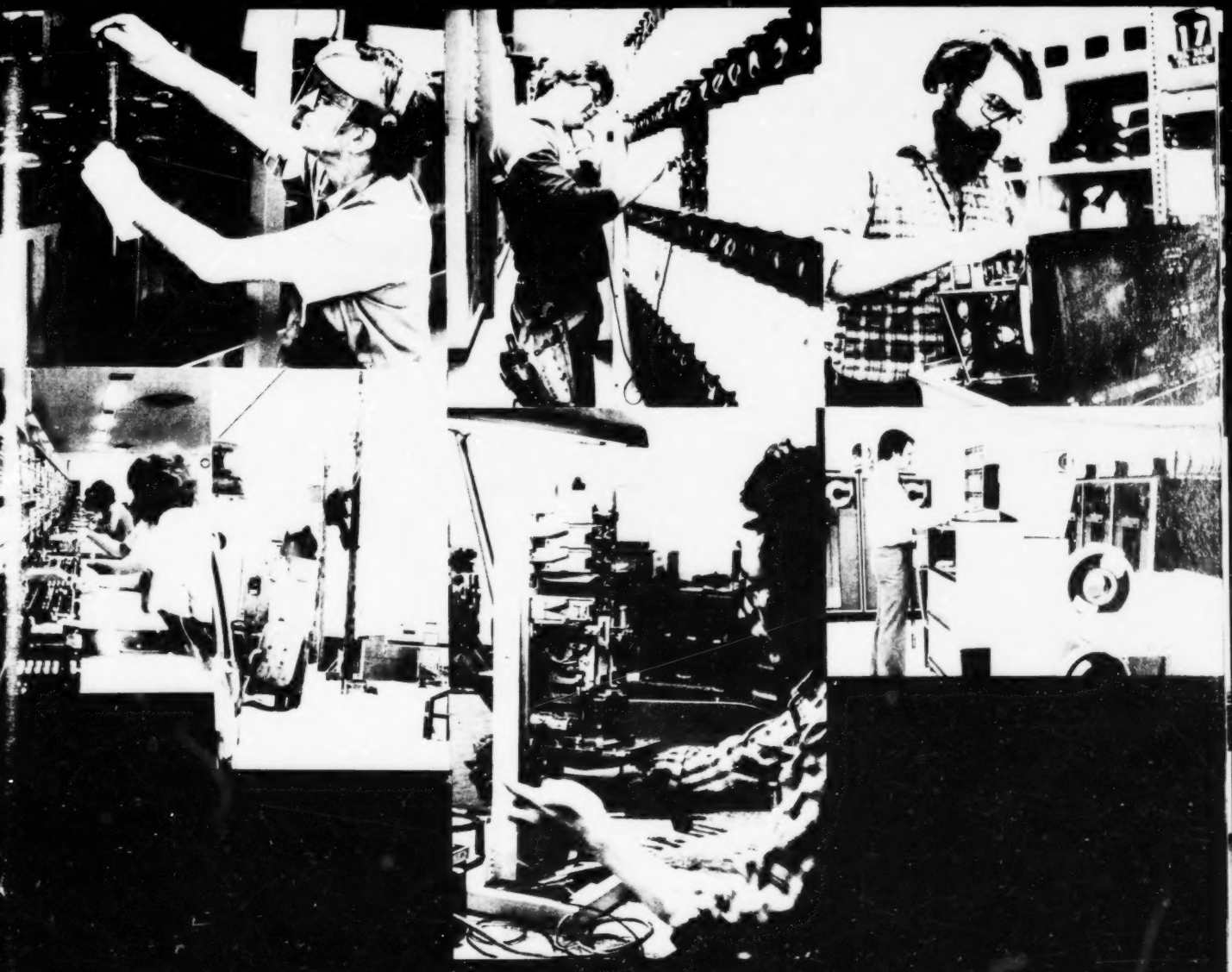
A major addition to digital switching facilities in Saskatoon was also under way at year end. When completed it will provide the required circuits to accommodate projected service demands.

At year end, SASK TEL was proceeding with the installation of a major new digital call switching system in Regina. The system, projected to cost $14.6 million, will enable the corporation to increase local call handling capacity as well as replace obsolete switching equipment.

It is expected that these three major projects will be completed over the next three years. Additions to switching facilities to increase capacity were also completed in 18 other communities throughout the province.

Construction was completed on a $2.6 million, 4,550 square metre addition to SASK TEL's provincial warehouse building in Regina. The project is the first phase of a three phase modernization program designed to increase the efficiency of handling material and supplies.

Construction of a Customer Service Centre in Coronach and a Residential



Switching Centre in Regina, and buildings to house microwave-radio and power equipment, were also completed during the year.

Major renovations, either completed or well under way at year end, included Community Dial Office extensions to accommodate switching equipment additions at Langenburg, Leoville, and Turtleford.

On going improvements

A number of programs were continued during the year as part of the corporation's on-going commitment to provide modern and efficient telecommunications services to all areas of the province.

The Rural Service Improvement Program, one of the largest projects ever undertaken by SASK TEL, was completed in 1982. The main objectives of the program were to improve service to rural areas by reducing the number of subscribers on multi-party or shared lines to a maximum of four, and to replace aerial pole line facilities with more reliable underground cable and wire.

During the six year program, over 54,000 kilometres of wire and cable were buried throughout Saskatchewan at a cost of $90 million.

As part of the Rural Service Improvement Program, SASK TEL offered to assimilate the local distribution systems of rural telephone companies. Since the inception of the program, the assimilation option has been taken by 652 rural telephone companies out of the original 704 in operation at the time. SASK TEL now serves 48,000 of the 50,000 subscribers originally served by rural telephone companies.

Subscribers in 14 communities received Extended Area Service (EAS) in 1982, increasing to 62 the number of communities with this service. With EAS, subscribers pay a higher monthly rental but are able to place calls to an adjacent exchange area without incurring long distance charges.

In addition, telephone customers in six exchange areas voted in favor of

EAS. Following approval of an EAS system, the modifications necessary to provide EAS require from 18 to 24 months to complete.

Eight communities were converted to individual line service from multi-party line service through the installation of underground cable, and equipment additions to Community Dial Office buildings.

Subscribers in six more communities were provided with Zero-Plus long distance dialing during the year. At year end, subscribers in 30 communities had access to this new service which speeds up the placing of operator-assisted long distance calls.

As part of the corporation's continuing program to improve access to long distance service, SASK TEL provided Automatic Number Identification (ANI) to 19 communities. With ANI service, subscribers can place and be billed for long distance calls without the aid of an operator. At year end, 82.8% of the telephones in the province had ANI service.

Business services continue to grow

The Saskatchewan business community continued to make extensive use of a wide variety of business telecommunications services from SASK TEL during 1982.

Business customers in Moose Jaw were provided with access to Dataroute, a cross-country digital data transmission network. Through telecommunications facilities, this network now links business customer terminals in Regina, Saskatoon, Prince Albert, and Moose Jaw with central computers at distant locations. This service provides major savings in the cost of both sending and receiving computer data.

During the year, the number of SASK TEL provided data terminals increased by 8.8% with over 2,000 in service at year end. Increases were also experienced in the provision of other business services such as mobile radio and pocket paging units.

A total of 135 business telephone switchboards were installed by the corporation during the year. At year end, 1,275 such switchboards were serving 52,923 telephones throughout the province.

New services introduced

While many of SASK TEL's activities are directed at maintaining high quality service standards, the corporation constantly explores new ways of serving its customers even better. Towards this end, a number of new services and products were introduced in 1982.

A new service, called Phone Patrol, was introduced in November following highly successful field trials earlier in the year. This personal distress alarm service, available on a province-wide basis through the telephone network, allows senior citizens and convalescents to summon immediate assistance.

The new system consists of a small transmitter, carried by the user, and a receiver connected to the subscriber's telephone. During an emergency, such as a heart attack or stroke, the user activates the portable transmitter, triggering the receiver which transmits a distress signal through the telephone network to a pre-programmed number. Phone Patrol units, which are manufactured according to SASK TEL's specifications, can be rented or purchased outright.

A new telecommunications service for northern residents called Exchange Radio Telephone Service (ERTS) was provided to 17 exchange areas in 1982. The service is being offered beyond the areas where normal wire telephone service is available. A vast improvement over the previous high-frequency radio system, ERTS provides virtually uninterrupted telephone service with increased privacy. The service will be extended to other northern areas in 1983.

A new telewriter instrument called Superphone was introduced to improve telephone services for people with hearing and speech impairments. The unit is a vast improvement over older generation equipment which has been in service since 1975. Superphone provides a number of important features that were requested by various user groups, including faster transmission speed, and an electronic memory feature. Subscribers certified through Saskatchewan Aids for Independent Living (SAIL) are provided with the units free of charge. Other subscribers can purchase Superphone from SASK TEL either on an outright sale basis or under an installment plan.

As part of SASK TEL's response to operating in a competitive residential extension telephone market, the corporation introduced a line of furturistically-styled telephones. These new instruments have subtle, sculptured lines which allow them to blend gracefully with any decor.

New directions

A videotex service trial called PATHFINDER was launched in mid-year. The multi-phase, multi-mode trial will be conducted over an 18 month period and provide 100 user terminals to trial participants who will be offered an opportunity to use a wide range of interactive and informational videotex services.

Videotex, often referred to as two-way TV, is an interactive information and transaction service in which a subscriber's home or office TV set is used for display of both written and graphic material. Once connected to a computer database via telecommunications lines, information can be retrieved in the form of electronic pages which appear instantaneously upon request.

Using Telidon, a Canadian version of videotex technology, the trial will assess the potential for videotex in the Saskatchewan marketplace. PATHFINDER will provide SASK TEL with practical expertise in new videotex services and test market demands from trial participants.

Trial participants as well as having instant access to PATHFINDER'S 5,000 electronic page database, can also access Grassroots, a 15,000 page agricultural database; and Cantel, a 55,000 page federal government database. Information for PATHFINDER'S database, which is updated either daily, weekly, or monthly, is being supplied by over 80 Saskatchewan information providers.

Business participants in the trial are using more complex integrated terminals and are therefore able to exchange data and messages within their associated group. Some of these units have been placed in locations where they can be used by the general public.

A new optional long distance calling service, called the Residential Discounted Message Plan, was offered for a one year trial period to five communities in the province. The plan provides residential subscribers with an opportunity to save money on long distance calls placed to selected communities located within a 40 mile radius.

The corporation views the RDMP as a more viable and preferred long distance optional calling plan than Extended Area Service (EAS). This new service is easy and economical to provide and is available on an individual subscriber basis. On the other hand, EAS is far more costly to provide and available only on a total exchange basis. If the trial proves successful the service will be expanded province-wide.

OPERATIONS REVIEW

Organization and personnel

A number of organization changes took place within the corporation during 1982.

The Hon. J. Gary Lane, Saskatchewan's Attorney General, became the chairman of SASK TEL. Also named to the corporation's new board were Hon. James Garner, Minister of Highways and Transportation; Hon. Paul Rousseau, Minister of Industry and Commerce; Jack McFaull, estate management consultant; and Walter Podiluk, who later in the year resigned to take up the position of deputy minister of Saskatchewan Social Services.

G. D. McCormick was named the corporation's Acting President succeeding A. L. M. Nelson who left SASK TEL to become Chief Executive Officer at Sask Comp.

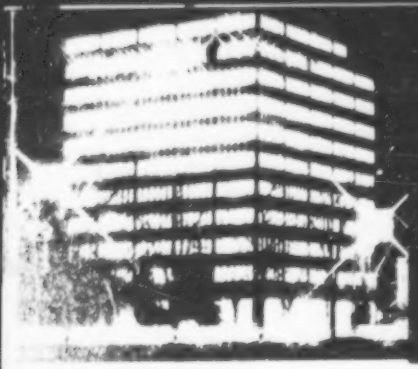
In line with the corporation's philosophy governing senior management development, several changes in the corporation's senior executive were made in 1982. Frank Degenstein, previously Vice President — Customer Services, was appointed to the newly created position of Senior Vice President — Corporate Development. Fraser Lee was transferred to the position of Vice President — Network Services from Vice President — Operations Development, and Pieter Van Vliet was transferred to Vice President — Customer Services from Vice President — Network Services.

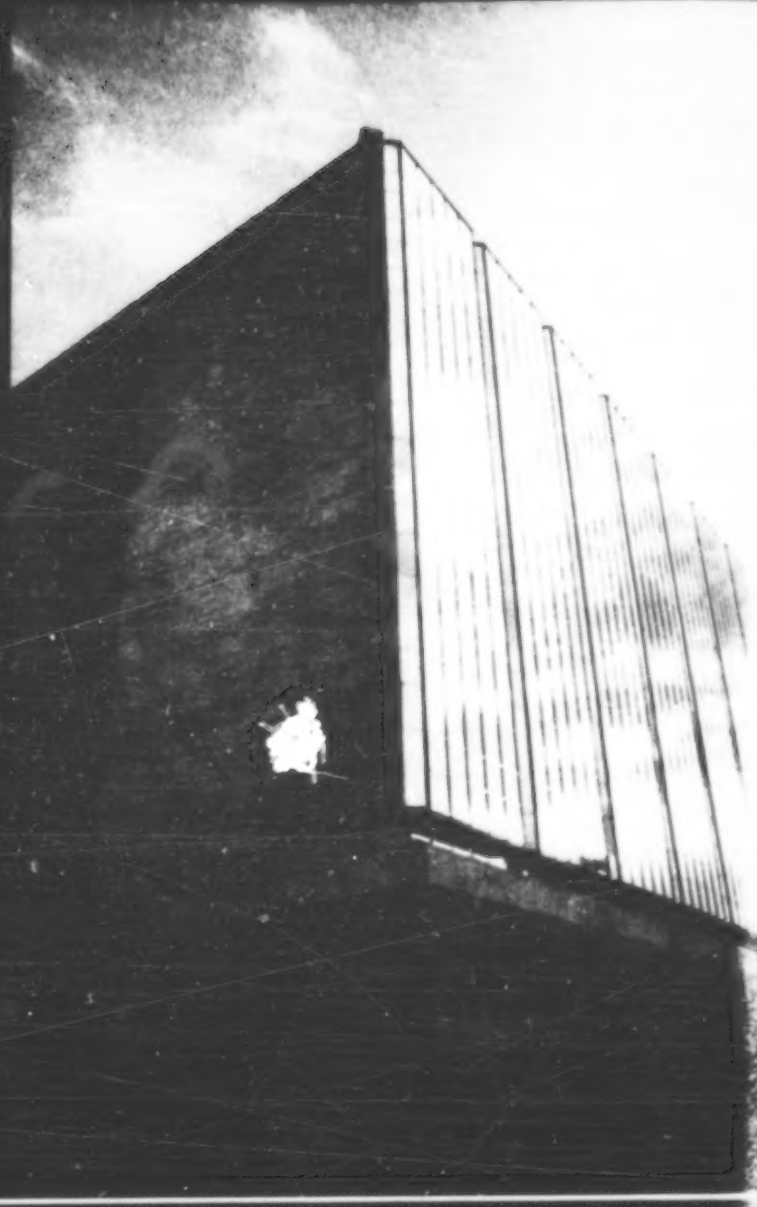
SASK TEL's Affirmative Action Program was officially approved by the Saskatchewan Human Rights Commission in October. Through employee development and training, the movement of women into areas of greater responsibility will be accelerated. Another of the program's goals is to correct the underrepresentation of two additional target groups within SASK TEL's workforce — people of native ancestry and people with physical and other disabilities. By the end of the year, the number of women holding management positions had increased significantly over the previous year.

To help plan facilities and enhance network capacity, and to ensure network compatability, SASK TEL cooperates with the nine other major Canadian telecommunications companies through an organization known as the TransCanada Telephone System (TCTS). As a member of TCTS, SASK TEL shares in revenues derived from interprovincial, national, and international message traffic. As part of the corporation's commitment to provide trained and skilled staff to help plan and build a national telecommunications network, SASK TEL had 22 employees on loan to TCTS at year end.

SASK TEL derives great strength from its 4,578 employees, not only in their achievements at work, but also from the many ways in which they and retired employees, individually and through membership in the Telephone Pioneers of America, serve the communities in which they live. Their voluntary efforts have added immeasurably to increasing the quality of life in the many cities, towns, and villages in which they live throughout the province.

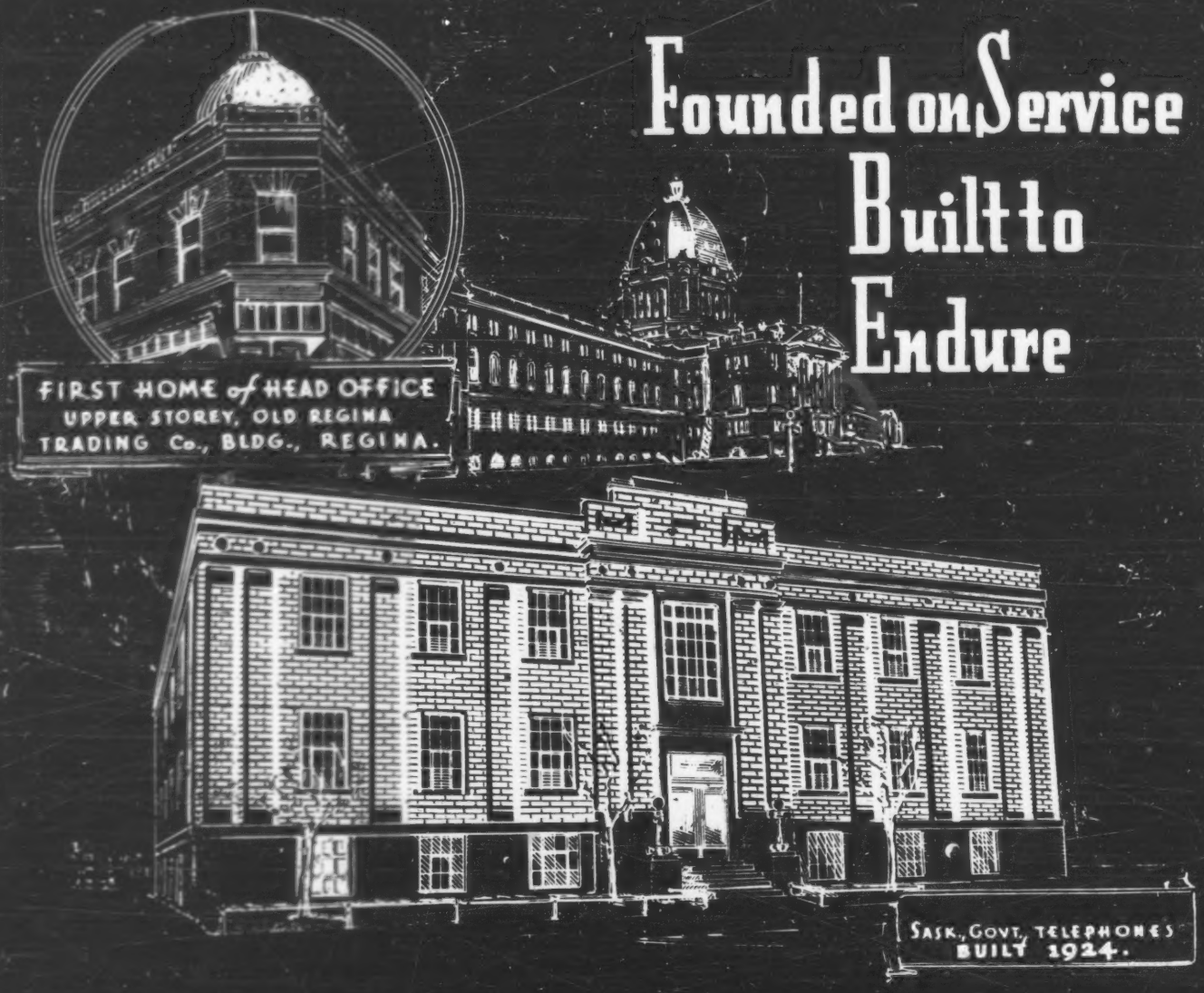
PDO





SASK TEL'S STORY
The first 75 years

Founded on Service Built to Endure



A continuous challenge

Providing telecommunications services within a province the size of Saskatchewan, with its widely-scattered population, has been a continuous challenge to SASK TEL for almost 75 years.

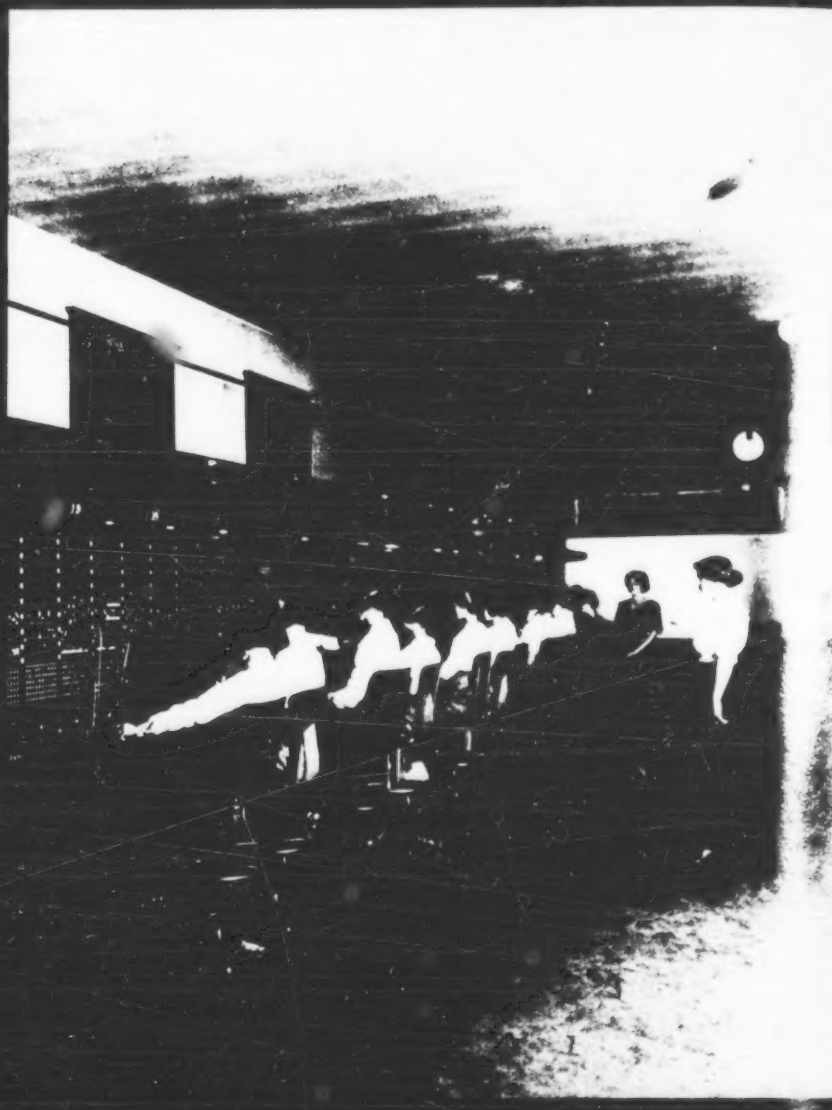
From its origin in the Department of Railways, Telegraphs, and Telephones in 1908, SASK TEL has evolved into an organization providing a host of sophisticated telephone, data, and video (TV) services to customers throughout the province. With nearly 700,000 telephones in service, SASK TEL has an investment in property, plant, and equipment exceeding $1 billion.

The beginning

In 1882, just six years after Alexander Graham Bell received a patent for his "new-fangled toy" as it was referred to at the time, and a few months after the first train steamed into Regina, voices were being carried over telephone wires in Saskatchewan.

It was not, however, until five years later that the province's first telephone exchange was established in Regina in Peter Lamont's Bookstore on South Railway Street (now Saskatchewan Drive) near Hamilton Street, a mere two blocks from the present site of SASK TEL's new head office building. Emily Lander was the first telephone operator and her voice soon became a familiar one as she connected customers to each other after answering with a friendly "Hello Central."

By 1905, when Saskatchewan became a province, the number of telephones serving its 200,000 residents had grown to 2,000. Most of these crudely wrought instruments were in operation in larger communities. Long distance service was extremely limited until 1906 when the Bell Telephone Company extended its long distance lines from Winnipeg to Regina.



While the Bell Telephone Company and other smaller companies provided urban residents with telephone service, rural demands for telephones were largely ignored. To address this situation, the Saskatchewan government passed several pieces of legislation, referred to as the Telephone Acts, in 1908. The legislation closely followed advice provided in a comprehensive report by "Provincial Telephone Expert," Francis Dagger.

The first act, "The Railway and Telephone Department Act," created SASK TEL's predecessor — The Department of Railways, Telegraphs, and Telephones. In short, the telephone section of the act allowed the department to establish, operate, administer, and expand existing urban and long distance services in the province. A second act, "The Rural Telephone Act," permitted groups of farmers to form rural telephone companies to provide local telephone service to rural areas. Also passed was "The Municipal Telephone Act," which encouraged communities to form municipal telephone companies.

The system expands

In keeping with its mandate, in 1909 the department built its first telephone exchanges at Hanley and Melville. Three important purchases of existing telephone companies were also made that year — The Bell Telephone Company, The Saskatchewan Telephone Company, and The Wapella-Harris Telephone Company — which considerably expanded SASK TEL's system.

The newly acquired facilities consisted of 18 telephone exchanges, 53 long distance offices, and 792 kilometres of long distance pole lines. Among the telephone exchanges purchased were those at Estevan, Moose Jaw, North Battleford, Prince Albert, and Regina. These facilities, added to those constructed by the government, meant that by the end of 1909 there were over 5,700 subscribers in Saskatchewan connected by a network of 20 exchanges, 100 long distance offices, and 1,822 kilometres of pole lines.

Over the next several years, SASK TEL continued to purchase and build other telephone exchanges and construct more long distance telephone lines. By the end of 1912, a 5,105 kilometre long distance network, serving over 24,000 subscribers in all major centres, was in place.

As more and more local and long distance facilities were built, the number of telephones in service as well as the number of long distance calls continued to climb steadily, reaching a peak in 1929 when 84,500 telephone subscribers in Saskatchewan originated over 3,600,000 long distance calls.

Tough times for all

In the black days of dust and drought of The Great Depression, economic progress in Saskatchewan ground to a virtual standstill. Between 1929 and 1934, the number of telephone subscribers dropped to 61,600, a decrease of over 20,000. During the same time, the number of long distance telephone calls made by residents decreased by more than 50%.

However, through the dark clouds did come one ray of sunshine in the form of an historical telecommunications achievement. In 1931, SASK TEL, in partnership with other major telephone companies in Canada, created the TransCanada Telephone System. The organization's first undertaking was a mammoth one: to build a Canadian long distance system so that no longer would coast-to-coast long distance calls have to be routed through the United States. The $5 million task was completed in less than a year.

Just as the adverse effects of the Dirty Thirties were lessening and a slow but steady expansion of the telephone system was under way, the second world war erupted. During the war years expansion was once again curtailed. Equipment and staff shortages were the order of the day and, as a result, the growth of the provincial government's telephone system was limited.

The boom begins

With the cessation of hostilities in 1945, the flood gates of economic development were opened. During the following ten years, more telephones were added to the network than in all of the other previous years combined. At the end of 1955 there were a total of 174,000 telephones in service, 50,000 of which were owned by rural telephone companies but provided with long distance service through the provincial government's facilities. By the end of the same year, over 7,600,000 long distance calls had been made from within the province.

During this ten year period of unprecedented growth and expansion, a significant historical event took place. The Department of Telephones, as it had been called since 1913, became Saskatchewan Government Telephones in 1947 — a provincial crown corporation.

Throughout the 50's and 60's, the buoyant Saskatchewan and Canadian economies created a huge demand for both local and long distance services. To meet this demand, a major expansion and modernization of the corporation's telecommunications network was undertaken.

In 1958, the corporation and the other members of the TransCanada Telephone System completed the world's longest microwave-radio system. The 6,500 kilometre network consists of a continuous chain of huge microwave-radio towers strung from coast-to-coast. While greatly increasing the number of Canada-wide long distance circuits for both voice and data transmission, it also carries network TV signals.

Conversion to dial service

SASK TEL began one of its most significant programs in 1961. Over the next 13 years, all of the remaining manual telephone exchanges were converted to automatic dial operation. Although dial telephone service had been available as early as 1907 in Saskatoon and 1914 in Regina, many smaller communities were without this modern service. The enormous task, which involved converting 331 manual exchanges, was completed in 1974, the same year that marked the 100th anniversary of the telephone. Manual exchanges and hand crank telephones were gone forever.

1974 was also a significant year for long distance service, as another long term program, which began in 1964 at Regina, was completed. With the completion of the dial conversion program, all telephone subscribers in Saskatchewan, with the exception of those in a few isolated northern communities, also had access to the Direct Distance Dialing (DDD) network. The final link in SASK TEL's DDD network was forged in 1976 when Uranium City's new dial office went into service.

As 1974 drew to a close, 440,000 telephones were in use throughout the province, from which residents originated over 36,000,000 long distance calls during the year.

During these years of great expansion and modernization, the corporation changed its name from Saskatchewan Government Telephones to Saskatchewan Telecommunications, or SASK TEL. In part, the name change reflected SASK TEL's growing involvement in the transmission and distribution of data and video signals throughout the province.

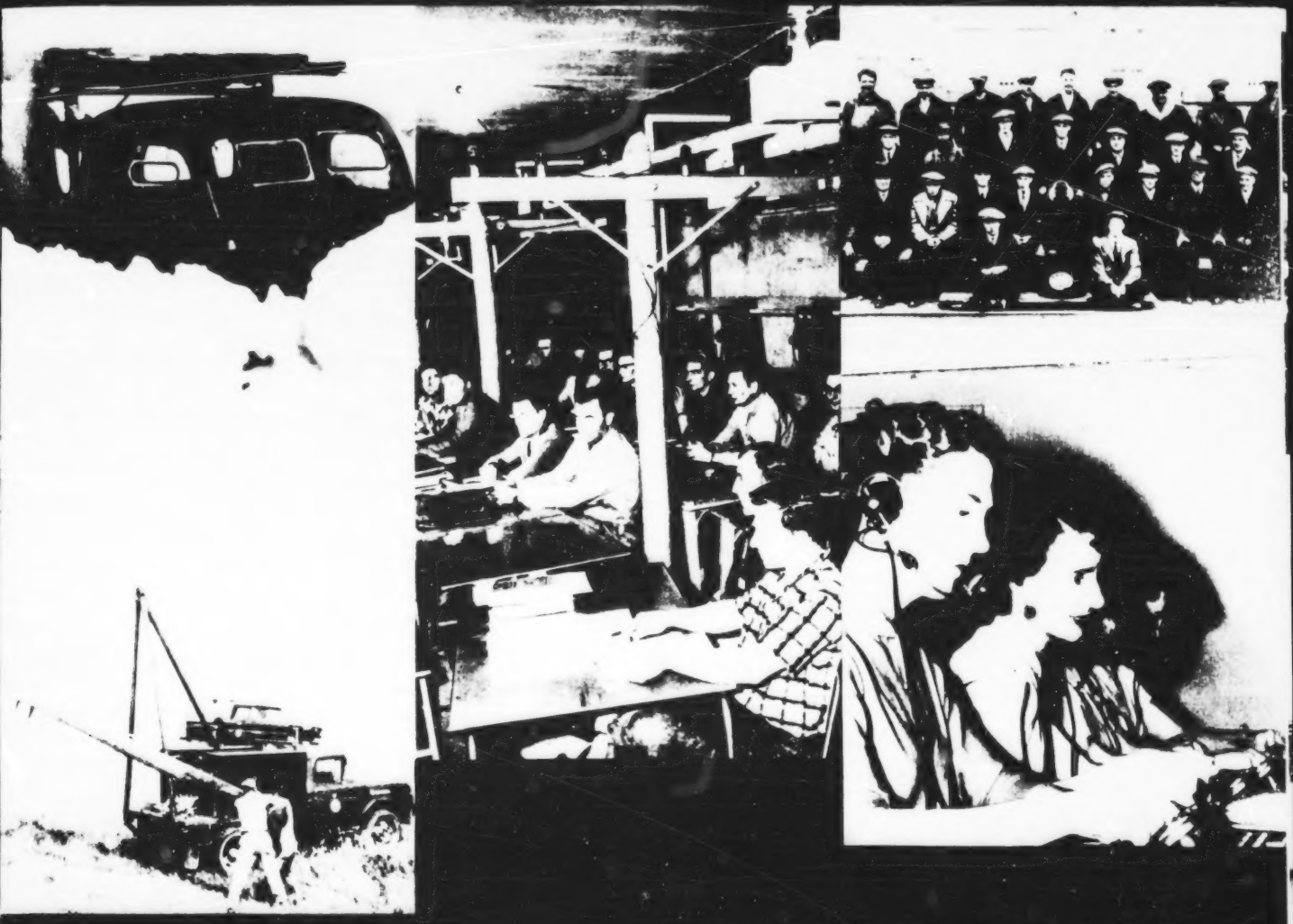
The demand for service continued

The steady growth in the use of SASK TEL's network continued into the 70's and early 80's. A total of 680,000 telephones were in service at the end of 1982. Although the economic downturn had an adverse impact on the growth of long distance calling during 1982, subscribers still completed a record 87.2 million messages, an average of over 238,000 a day.

During the latter part of 1982, the largest single program ever undertaken by SASK TEL, the $90 million Rural Service Improvement Program, was completed. Begun in 1977 to improve service to rural telephone subscribers, the program consisted of the installation of over 54,000 kilometres of underground cable and wire. The new, more reliable facilities substantially reduced the number of subscribers per line on multi-party lines. As part of the six year program, the local distribution facilities of 652 rural telephone companies, serving over 48,000 subscribers, were voluntarily assimilated.

Currently, the most exciting project being undertaken by SASK TEL is the construction of the world's longest commercial fibre optic network.

Now at the halfway point in its construction, the 3,400 kilometre fibre optic broadband network, when completed, will link 52 of the province's largest communities. This new network, which has already extended cable TV to over 30 Saskatchewan communities, will also accommodate the ever-growing demands for telephone and data transmission facilities and provide for the future integration of other telecommunications services.



Many challenges still ahead

Over the years, SASK TEL has built a vast and intricate network of wires and cables, microwave-radio towers, and complex call-routing systems to serve the province's scattered population.

The network has been carefully built and maintained by thousands of employees whose dedication to duty has brought SASK TEL through three-quarters of a century of progress, interrupted only by the economic depression of the 1930's and the second world war.

The telecommunications network of today is a tribute to the early telephone pioneers who helped build a solid base for what has evolved into a truly sophisticated industry.

What began as a novelty — Alexander Graham Bell's "new-fangled toy" with a somewhat uncertain future — has evolved into a universal service.

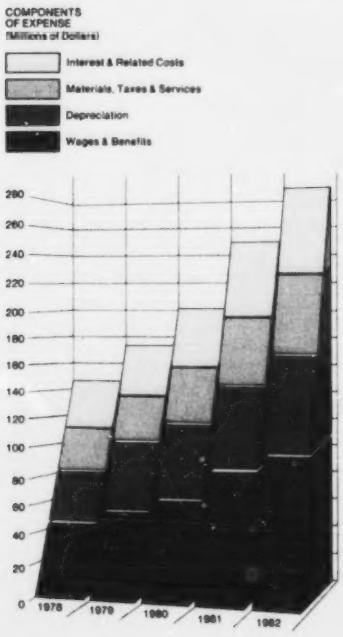
Today, however, as was the case nearly 75 years ago, SASK TEL still faces many challenges. The challenge of the 80's and beyond will be in the application of new telecommunications technologies that have evolved over the last decade and the others that will surely follow. As in the past, SASK TEL will continue its leadership in the telecommunications industry by applying these technologies in such a way as to provide the best telecommunications services to the greatest number of people at the lowest possible cost.

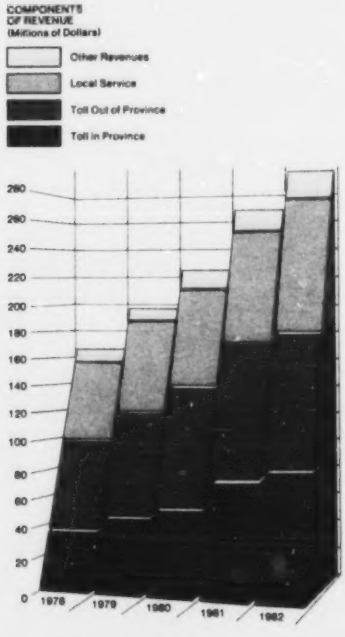
FINANCIAL HIGHLIGHTS

Operating revenues for 1982 of $295.7 million were up $28.1 million or 10.5% over 1981. Contributing to this increase, in addition to telephone and message gains, were the full year's impact of general rate increases implemented in August, 1981 together with significant increases in other operating revenues, notably cable television services. There were no general telephone rate increases implemented in 1982.

Long distance revenues, which account for 65.5% of total operating revenues, totalled $193.7 million, increasing $14.6 million or 8.2% over 1981. Of this increase, $13.2 million was attributable to intra-province calling, with interprovincial and international revenues increasing by only $1.4 million, a 1.5% increase. The latter services account for 50% of total long distance revenues, down from 54% for the previous year. Local service revenues rose to $85.7 million, an increase of $8.8 million or 11.4% over 1981. Other revenues, consisting of directory advertising, rentals, cable television services, equipment sales and services, and late payment charges increased by $5.4 million or 41.3%. This was partially offset by provision for uncollectibles which increased by $.7 million to $2 million for the year. Growth in cable television revenues is primarily as a result of a 33% increase in cable subscribers.

Operating expenses for the year amounted to $229.3 million, an increase of $29.4 million or 14.7% over 1981. Components contributing to this increase were added salary and benefit costs of $16 million, added depreciation expense of $7 million, and material, services and tax cost increases of $6.4 million. Cost reduction measures were undertaken in 1982 to reduce operating costs in light of the slowdown in the economy and its effect on operating revenues. These measures included a reduced construction program, hiring freezes, reduction in overtime levels, and implementation of programs designed to significantly reduce material and other costs.





FINANCIAL HIGHLIGHTS

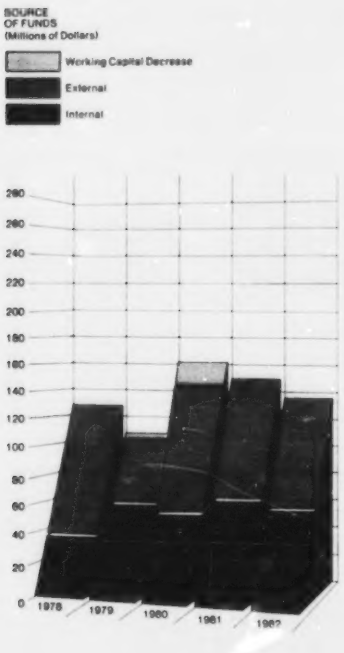
Interest and related costs, net of interest charged construction and earnings on sinking funds and temporary investments, amounted to $58.6 million, an increase of $10.9 million or 22.8% over 1981. The additional interest costs reflect the ongoing demand for capital funds as well as high interest rates which prevailed throughout most of the year, although modifying somewhat in the later months. The declining value of the Canadian dollar also contributed to additional interest costs as U.S. borrowings represent 36% of total long term debt outstanding.

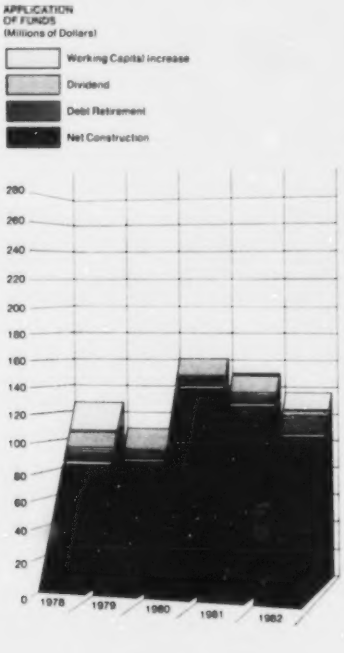
The decline in rate of growth of operating revenues and other factors is reflected in net earnings which amounted to $7.8 million for the year, the lowest earnings figure since 1966. This represents a 1.1% return on average capital employed, down from the 3.6% achieved in 1981, and the 6% average annual return realized over the past ten years. One half of the net earnings for 1982, amounting to $3.9 million, has been declared as a dividend to the Crown Investments Corporation of Saskatchewan.

Capital requirements for the year totalled $137.5 million, down $20.2 million or 12.8% from 1981. These requirements included $108.1 million for net construction expenditures, $7 million for sinking fund installments and long term debt retirement, $5.3 million for long term sales type lease receivables, $3.9 million for dividends and $13.2 million for working capital replenishment.

Internally generated funds from operations provided $64.3 million or 46.8% of fund requirements with the balance of $73.2 million provided through long term borrowings. These borrowings consisted of Province of Saskatchewan — Canadian $75 million 20 year 13% debentures dated December 1, 1982.

Gross construction expenditures for 1982 amounted to $121.5 million, down $17.6 million from 1981. These expenditures, less retirements, brought total investment in property, plant and equipment to $1,046.5 million at year-end.





TEN YEAR RECORD OF SERVICE

at December 31

	1982	1981	1980
TELEPHONES			
SASK TEL Owned	**677,963**	652,009	618,614
Connected *	**180,942**	191,215	185,832
Net Increase *	**25,954**	33,395	34,158
Rural Company Owned (Switched by SASK TEL)	**2,222**	3,661	4,661
Telephones Per 1000 People	**690**	669	643
NUMBER OF EXCHANGES	**341**	341	341
NUMBER OF TOLL OFFICES	**3**	2	2
ORIGINATED LONG DISTANCE MESSAGES (In Thousands)			
Telephone *	**79,451**	77,108	70,728
TWX, WATS & DATA LINE *	**7,742**	6,829	5,638
Total Messages *	**87,193**	83,937	76,366
FINANCE (In Thousands of Dollars)			
Operating Revenues *	**295,705**	267,620	225,262
Operating Expenses *	**229,305**	199,938	163,044
Interest and Related Costs *	**58,581**	47,710	37,404
Gain on Sale of Properties *		4,337	
Net Income *	**7,819**	24,309	24,814
Dividend *	**3,900**	14,000	12,400
Gross Construction Expenditures *	**121,509**	139,082	144,161
Property, Plant and Equipment *	**1,046,497**	958,237	853,619
Long-Term Debt – Province of Saskatchewan	**712,868**	630,605	500,716
Debt as a Percent of Year-End Capital	**80.8%**	79.4%	78.7%
EMPLOYEES AND PAYROLL			
Number of Employees	**4,578**	4,564	4,339
Salaries Earned * (Thousands of Dollars)	**124,040**	109,491	88,236

* For the Year Ended December 31

TEN YEAR RECORD OF SERVICE

at December 31

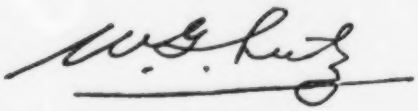
1979	1978	1977	1976	1975	1974	1973
584,456	551,053	516,312	451,685	421,792	390,973	366,515
186,809	172,792	191,901	140,998	142,284	125,643	123,372
33,403	34,741	64,627	29,893	30,819	24,458	21,854
6,812	9,040	13,687	47,762	49,721	50,254	50,648
616	590	563	531	510	485	459
341	342	338	335	332	330	332
2	4	12	18	22	24	26
65,134	59,108	52,171	46,948	42,342	36,126	28,995
4,327	3,464	2,676	2,198	1,989	1,687	1,385
69,461	62,572	54,847	49,146	44,331	37,813	30,380
197,265	164,914	137,036	116,096	92,320	76,673	66,319
139,856	117,242	98,792	83,334	67,316	52,164	44,175
32,160	28,204	20,302	13,701	9,810	6,993	5,808
25,249	19,468	17,942	19,061	15,194	17,516	16,336
12,625	9,725	8,975	9,500	7,600	8,750	8,150
93,626	97,199	104,138	83,548	75,367	52,679	36,032
723,176	649,696	566,488	470,992	394,900	331,488	287,178
471,412	453,663	350,715	278,952	208,276	182,154	159,303
77.6%	78.4%	75.5%	73.0%	70.3%	67.2%	66.5%
4,024	3,957	3,820	3,622	3,344	2,974	2,695
76,100	67,389	58,953	50,087	39,908	29,325	23,339

AUDITOR'S REPORT

To the Members of the
Legislative Assembly
Province of Saskatchewan:

I have examined the statement of financial position of Saskatchewan Telecommunications as at December 31, 1982 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
February 11, 1983.

Saskatchewan Telecommunications

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(For the Year Ended December 31)

	1982	1981
	(Thousands of Dollars)	
OPERATING REVENUES		
Long distance service	$ 193,706	$ 179,080
Local service	85,678	76,915
Other	16,321	11,625
	295,705	267,620
OPERATING EXPENSES		
Maintenance and operations	88,686	78,210
Depreciation (Note 2)	64,960	58,012
General and administrative	75,659	63,716
	229,305	199,938
OPERATING INCOME	66,400	67,682
INTEREST AND RELATED COSTS (Note 3)	58,581	47,710
Net earnings (before gain on sale of properties)	7,819	19,972
Gain on sale of properties	—	4,337
NET EARNINGS	7,819	24,309
Retained earnings, beginning of year	145,287	134,978
	153,106	159,287
Dividend	3,900	14,000
RETAINED EARNINGS, end of year	$ 149,206	$ 145,287

See accompanying notes

Saskatchewan Telecommunications

Statement of Financial Position

(As at December 31)

	1982	1981
	(Thousands of Dollars)	
ASSETS		
Property, Plant and Equipment (Note 4)	$ 744,237	$ 699,783
Investment — Telesat Canada (Note 5)	999	999
Current Assets		
Cash and temporary cash investments — at cost	2,729	2,997
Accounts receivable	41,644	40,614
Prepayments	1,306	1,265
	45,679	44,876
Long Term Receivable (Note 2)	5,314	—
Deferred Charges (Note 6)	29,083	19,822
	$ 825,312	$ 765,480
LIABILITIES AND PROVINCE'S EQUITY		
Long-Term Debt (Note 7)	$ 629,325	$ 561,025
Province's Equity		
Retained earnings	149,206	145,287
Current Liabilities		
Accounts payable	25,683	29,396
Interest accrued	13,426	12,417
Dividend payable	3,900	14,000
Service billed in advance	3,772	3,355
	46,781	59,168
	$ 825,312	$ 765,480

See accompanying notes

Saskatchewan Telecommunications

STATEMENT OF CHANGES IN FINANCIAL POSITION

(For the Year Ended December 31)

	1982	1981
	(Thousands of Dollars)	
SOURCE OF FUNDS		
Operations		
Net earnings from operations	$ 7,819	$ 19,972
Add: Depreciation and other items not requiring current funds	56,441	49,406
Total from operations exclusive of sale of properties	64,260	69,378
Proceeds on sale of properties	—	10,100
Long-term debt and notes payable (net)	73,205	78,174
	$ 137,465	$ 157,652
APPLICATION OF FUNDS		
Construction expenditures		
Gross construction expenditures	$ 121,509	$ 139,082
Change in materials and supplies	(2,392)	2,729
Less: Net salvage value of plant retired, capital contributions and other items not requiring current funds	(11,020)	(5,987)
	108,097	135,824
Investment in long term receivables	5,314	—
Repayment of long-term debt	6,964	7,455
Dividend	3,900	14,000
Working capital increase	13,190	373
	$ 137,465	$ 157,652

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — STATUS OF THE CORPORATION

The provincial telephone system, in operation since 1908 as a department of government, was established as a Crown Corporation on June 1, 1947 under the name of Saskatchewan Government Telephones. On April 1, 1969, pursuant to The Saskatchewan Government Telephones Change of Name Act, 1969, the Corporation's name became Saskatchewan Telecommunications.

The corporation, under the provisions of its Act, constructs, maintains and operates a provincial telecommunications system, provides telecommunication services, and participates in establishing, constructing and operating a co-ordinated telecommunications system in Canada.

The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily identifiable and quantifiable with the construction activity. In addition, the Corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Depreciation

Depreciation is computed on the straight line equal life group method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

The composite depreciation rate on the average depreciable telecommunications property in service was 7.41% in 1982 (7.68% in 1981).

Pension Fund Obligations

The Corporation provides the following pension plans for its employees, total costs of which amounted to $11,415,000 in 1982 ($9,419,000 in 1981).

SASK TEL Superannuation Plan

This closed benefit based Plan applies only to those employees hired prior to October 1, 1977, who elected to remain in the Plan.

SASK TEL meets its financial obligation for employee superannuation allowances payable in the future by making regular payments into the SASK TEL Superannuation Fund equal to the annual current service pension costs recorded by SASK TEL. The costs are calculated at the actuarially determined rate necessary to provide for future superannuation benefits over the remaining working lives of the employees. The latest actuarial study as at December 31, 1981 used the accrued benefit method of evaluation which indicated that continuance of employer contributions at twice the employee's contribution rate over the next 15 years would be adequate to fully fund all future service benefits and amortize past service costs of $30,600,000. The previous actuarial study as at December 31, 1978 used the attained age aggregate level cost factor method without supplemental liability as a basis for evaluating the fund. Under this method, future levels of employer contributions are determined without calculating unfunded past service costs. The 1978 study also recommended two times employee contributions to fully fund the Plan.

Public Employees (Government Contributory) Superannuation Plan

This money purchase Plan applies to all SASK TEL employees hired on or after October 1, 1977. Employees hired prior to that date had the option, until October 1, 1978, to transfer to this Plan. The pension costs to SASK TEL under this Plan are equal to the required employee contribution. SASK TEL meets its financial obligation through regular monthly payments to the Plan.

Gain on Retirement of Long-Term Debt Before Maturity

From time to time, long-term debt is retired prior to maturity through cancellation of the Province of Saskatchewan debentures held in the Sinking Fund. Any resulting gain is amortized over the remaining life of the debentures cancelled.

Foreign Currency Translations

Net long-term debt payable in foreign currency is stated in Canadian dollars at the foreign exchange rate prevailing at December 31, and the resulting unrealized loss is amortized over the current year and remaining life of the net debt.

Interest accrued on long-term debt payable in foreign currency is recorded in Canadian dollars at the foreign exchange rate prevailing at year-end. Interest paid during the year on long-term debt is translated at the currency rate prevailing at the interest payment date. Any gains or losses relating to these items are charged to income in the current period.

Sales-Type Lease Accounting

A new accounting policy was implemented in 1982 whereby certain subscriber equipment lease agreements which guarantee SASK TEL a return on its capital investment were accounted for as sales-type leases. Under this policy, sales revenue is recognized immediately and the present value of future lease payments not due within the next year are recorded as long term receivables. Finance income is recognized as lease payments are received under contract terms and in a manner that produces a constant rate of return on lease investment.

Finance income from sales-type leases amounted to $677,000 in 1982 with the corporation's net investment as at December 31, 1982, composed of net minimum lease payments and unearned finance income, as follows:

Current Accounts Receivable:		
Net investment in leases		**$ 620,000**
Non-Current Accounts Receivable:		
Total minimum lease payments receivable	$10,665,000	
Less: Unearned finance income	$ 4,731,000	
	$ 5,934,000	
Less: Current portion	$ 620,000	**$5,314,000**

NOTE 3 — INTEREST AND RELATED COSTS

	1982	1981
	(Thousands of Dollars)	
Interest charges	**$ 67,782**	$ 57,468
Amortization of discount	**649**	429
Amortization of foreign exchange provisions	**1,111**	646
	69,542	58,543
Less:		
Sinking fund earnings	**8,512**	6,438
Gain on debt retirement	**452**	501
Interest charged construction	**1,285**	2,771
Interest on temporary cash investments	**712**	1,123
	$ 58,581	$ 47,710

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

	1982	1981
	(Thousands of Dollars)	
Buildings, plant and equipment	**$ 981,007**	$ 882,255
Land	**26,761**	27,086
Plant under construction	**25,772**	33,547
Materials and supplies	**12,957**	15,349
	1,046,497	958,237
Less: Accumulated depreciation	**302,260**	258,454
	$ 744,237	$ 699,783

NOTE 5 — INVESTMENT — TELESAT CANADA

This investment represents 99,900 common shares no par value, of Telesat Canada at an issue price of $10 per share.

NOTE 6 — DEFERRED CHARGES

	1982	1981
	(Thousands of Dollars)	
Applicable to long-term debt:		
Unamortized discount	**$ 6,917**	$ 5,771
Unamortized unrealized net foreign currency losses	**23,453**	15,789
	30,370	**21,560**
Less: Unamortized gain on retirements before maturity	**1,287**	1,738
	$ 29,083	$ 19,822

NOTES TO FINANCIAL STATEMENTS

NOTE 7 — LONG-TERM DEBT — PROVINCE OF SASKATCHEWAN

Percent	Due Date	Recorded Debt Outstanding (Thousands of Dollars)
5.000	Sept. 1, 1983	6,779
4.750	Jan. 2, 1984	2,869 (a)
5.500	Jan. 15, 1984	4,302
5.500	July 15, 1985	2,607
5.500	Dec. 1, 1985	5,186
5.650	1986	7,401 (b)
13.375	April 1, 1986	75,000 (d)
5.698	1987	2,682 (b)
6.000	March 1, 1987	2,928
6.549	1988	2,000 (b)
7.541	1989	10,100 (b)
8.093	1990	9,806 (b)
4.875	Oct. 1, 1990	7,250 (a)
7.125	1991	9,461 (b)
16.375	Oct. 1, 1991	61,440 (a)
7.528	1992	15,093 (b)
7.689	1993	8,644 (b)
7.750	Feb. 15, 1998	5,000
8.250	Dec. 3, 1998	15,000
10.000	Dec. 2, 1999	25,000
11.750	June 2, 2000	25,000
9.875	Nov. 3, 2000	30,000 (c)
10.250	April 1, 2001	25,000
9.000	Feb. 1, 2002	25,000
13.000	Dec. 1, 2002	75,000 (e)
9.500	June 15, 2003	30,000
10.000	May 15, 2004	40,000
8.700	Nov. 15, 2006	61,440 (a)
8.625	May 15, 2007	61,440 (a)
9.250	April 15, 2008	61,440 (a)
		712,868
Less: Equity in sinking funds ..		83,543 (f)
Net long-term debt — December 31, 1982.....		**$ 629,325**

(a) Represents long-term debt repayable in United States dollars having a U.S. face value of $208,235,000 converted to $227,891,000 Canadian at time of issue. It is recorded in Canadian Dollar equivalent of $255,879,000 based on the foreign exchange rate prevailing as at December 31, 1982 of 1.2288 (1981 — 1.1853).

(b) Long-term debt totalling $65,187,000 received through the Canada Pension Plan under 20 year terms, are subject to redemption on six months notice.

(c) Subject to right of prepayment on November 3, 1983, if the holder so elects.

(d) Subject to exchange for an equal amount of 13.375% debentures due April 1, 1996, if the holder so elects.

(e) Subject to right of repayment on December 1, 2000, at the option of the Province, as a whole but not in part.

(f) Under conditions attached to most long-term debt, SASK TEL is required to pay annually into Sinking Funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of long-term debt received. The equity shown includes United States investments held in the fund having a U.S. value of $2,758,000 recorded at $3,389,000 Canadian Dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1982.

(g) Total Sinking Fund installments and long-term debt repayments (net of Sinking Fund Equity) on outstanding debt over the next five years are as follows:

1983 — $ 127,000 (See (c) above)
1984 — $ 5,397,000
1985 — $ 7,650,000
1986 — $ 82,627,000 (See (d) above)
1987 — $ 7,332,000

NOTE 8 — COMMITMENTS

As at December 31, 1982, SASK TEL was committed in the amount of approximately $25 million for construction materials, equipment and services related to the fibre optics network, switching and buildings.

NOTE 9 — RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlements are described separately in the financial statements and the notes thereto.

NOTE 10 — REMUNERATION OF DIRECTORS AND OFFICERS

During the year 1982, nine persons (1981 – 13) served on the corporation's board of directors and 19 (1981 – 17) served as executive officers. The aggregate 1982 remuneration to directors amounted to $7,800 (1981 – $19,500) and the 1982 aggregate remuneration to executive officers was $1,174,431 (1981 – $932,449).

BOARD OF DIRECTORS

Hon J. Gary Lane
Chairman
Regina

Hon. James W. Garner
Willdie

Doug Friend
Rosetown

Bette Harris
Nipawin

Garth Kennedy
Regina

Helen Krozser
Markinch

Jack Y. McFaull
Saskatoon

Hon. Paul E. Rousseau
Regina

Mark Seidel
Humboldt

Lyle Taylor
Melfort

Ted Urness
Saskatoon

Bertha Vanderhaeghe
Esterhazy

Art Watt
Craik

Rod Ulrich
Secretary

CORPORATE DIRECTORY

Corporate Officers

G. D. McCormick
Acting President

Frank A. Degenstein
Senior Vice President
Corporate Development

Roger Bason
Vice President
Administration

John Houston
Vice President
Personnel and Public Affairs

Tommy A. Howe
Vice President
General Counsel

S. Fraser Lee
Vice President
Network Services

Pieter Van Vliet
Vice President
Customer Services

Operating Officers

Harold E. Freberg
Assistant Vice President
Customer Services (South)

John A. Funk
Assistant Vice President
Corporate Information Systems

Ronald N. Gallant
Assistant Vice President
Comptroller

David M. Harvey
Assistant Vice President
Personnel

B. William Lambert
Assistant Vice President
Network Services

John G. McGregor
Assistant Vice President
Planning and Development

F. P. Petruic
Assistant Vice President
Public Affairs

George A. Spencer
Assistant Vice President
Buildings, Supplies and Services

Norman F. Stepan
Assistant Vice President
Marketing

Ken. H. Thompson
Assistant Vice President
Corporate Staff Services

Willis A. Warner
Assistant Vice President
Operator Services

Arnold A. Wolfe
Assistant Vice President
Customer Services (North)